

WEEKLY ECONOMIC REVIEW

FEBRUARY 11, 2005

The U.S. merchandise trade deficit narrowed to \$56 billion in December (from \$59 billion in November). Despite the lower monthly deficit, the U.S. dollar declined on global currency markets, since much of the improvement was due to a drop in oil prices, rather than structural factors that might suggest a sustainable narrowing of the U.S. trade and current account¹ deficits. In 2004, the U.S. trade deficit reached a record high of \$618 billion, up 24% from the previous high of \$497 billion.

Canadian exports showed renewed strength in December, rising 2.6% after registering declines in each of the preceding five months. The positive export data provided support to the Canadian dollar, which had fallen to a 4-month low of 79.6 cents US earlier in the week.

Activity in Alberta's housing sector showed signs of moderating from the exceptionally high levels seen in recent months. In January, Alberta housing starts were running at an annual pace of 30,800, close to the latest 5-year average of just over 31,000.

↑	Cdn Dollar (US¢/CS)	
	Feb 11, 2005	80.8¢
	Feb 4, 2005	80.0¢
	2004-05 YTD	77.8¢
↑	WTI Oil \$US/bbl	
	Feb 10, 2005	\$47.10
	Feb 3, 2005	\$46.45
	2004-05 YTD	\$43.85
↓	Nymex Natural Gas CS/mcf*	
	March Contract	
	Feb 11, 2005	\$7.55
	Feb 4, 2005	\$7.69
*estimate based on Nymex Futures Market Price		

The U.S. Agriculture Secretary confirmed this week that the United States intends to reopen its border on March 7 to Canadian cattle younger than 30 months of age. The U.S. import ban on live cattle 30 months and older (and associated boxed beef products) will remain in place until further notice.

Oil prices rallied late in the week, in response to an upwardly revised forecast of 2005 global oil demand by the International Energy Agency (IEA).

¹The current account figure is the combined balances on trade in goods, services, income, and net current transfers.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date ¹
Canadian International Merchandise Trade (\$ millions)	December			2004 Annual
Exports	36,482	2.6%	9.8%	7.6%
Imports	31,273	4.0%	11.2%	6.2%
Trade Balance	5,209	-5.1%	2.4%	15.6%
Housing Starts (SAAR)²	January (2005)			
Alberta	30,800	-20.6%	-7.2%	N/a
Canada	203,700	-13.8%	1.6%	N/a
Building Permits (\$ millions)	December			2004 Annual
Alberta	649.5	-14.1%	13.3%	7.9%
Canada	5,050.7	1.6%	14.2%	9.4%

Source: Statistics Canada, Canada Mortgage and Housing Corporation

¹Year-to-date 2004 compared to the same time period in 2003. For example: January-December 2004 versus January-December 2003

²Seasonally Adjusted at Annual Rates

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